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China Trade War Has Hurt US Companies, Famers, Consumers

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Notwithstanding the optics of a healthy U.S. economy, beneath the surface there are many U.S. companies and consumers that have become casualties of the "trade war" with China. The first salvo in this trade war was fired in January 2018, and was followed by additional shots later in 2018 as the United States imposed punishing tariffs that affect hundreds of billions of dollars of trade with China and the rest of the world. These include tariffs on steel, aluminum, and separate targeted tariffs on half of all imports from China including furniture, air conditioners, microwaves, toilet paper, and even baby cribs.

China retaliated by slapping tariffs on over $100 billion of U.S. products imported into China. Other countries impacted by U.S. tariffs have also retaliated in kind, but China remains front and center in this trade war.

Whether these tariffs are being imposed to remedy legitimate grievances with China, or simply to garner leverage in negotiations and to try and reduce the U.S. trade deficit, there is no doubt they are hurting some U.S.-based companies and consumers as well as U.S. companies with operations in China.

Bloomberg and the CATO Institute have both published lists of the hundreds of U.S. companies and farmers that have been harmed by the trade war. This harm is due to the increased cost of inputs from China used to produce finished products in the United States, as well as from increased tariffs on U.S. produced goods that are exported to China. For example, Arrow Fasteners and Kimberly-Clark both cite harm from increases in input costs for products they produce in the United States. Volvo scrapped plans to export cars manufactured in South Carolina to China due to the retaliatory tariffs imposed on U.S. imports of cars into China.

Farmers and other agricultural businesses have been particularly hard hit by the retaliatory tariffs imposed on their exports to China, as their crop values decline due to oversupply, and their exports to China, such as soybeans and meat products, have dropped precipitously.

U.S. consumers have not been spared, as rising prices on consumer goods that are the direct result of tariffs on these products imported from China have taken a toll. The Consumer Technology Association estimates that consumers will pay between $1.6 and $3.2 billion more in

2019 for electronic products due to the tariffs on Chinese imports. Vera Bradley recently announced a 3 percent price increase partially due to the tariffs, the first across-the-board price increase for the company in over a decade. Kimberly-Clark, the owner of Kleenex tissues, Huggies diapers and Scott toilet paper, also increased prices by mid to high single digits in late 2018 due to increases in input costs, which were caused by the trade war. Even baby cribs are in the cross-hairs of this trade war, and groups such as the Pittsburgh-based nonprofit "Cribs for Kids" has cited to tariffs on imported cribs from China as raising costs for providing baby cribs to low-income families.

U.S. companies that produce goods in China and export them to the United States have also been negatively impacted as their goods are now often subject to steep tariffs. This has led to companies shuttering some of their operations in China or moving those operations elsewhere.

According to Business Insider, some industry experts have dubbed this the biggest shift in cross-border supply chains since China joined the World Trade Organization in 2001. For example, Ford, Buick, and Cadillac all either halted production or shifted production elsewhere for certain car models that were to be produced in China and exported to the United States due to the imposition of tariffs and the threat of future tariffs on automobiles/automotive parts.

Nearly two-thirds of respondents in an American Chamber of Commerce survey of U.S. firms that do business in China reported that the tariffs have harmed their businesses leading to increases in production costs and decreased demand. One-third of the companies responding to this survey reported they were considering sourcing components or assembly outside of China due to the tariffs. Another American Chamber of Commerce survey conducted in 2018 of U.S. companies operating in southern China revealed that over 70 percent of the firms surveyed were considering delaying further investment in China and moving some or all of their manufacturing to other countries.

As in any war, there are casualties and extensive collateral damage. In the case of the U.S.-China trade war, it is apparent the casualties include many U.S. companies with operations in the U.S. and China, as well as U.S. farmers and consumers.